



SHIVIA Microfinance Summer Newsletter



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Dear Friend of Shivia,

Welcome to our Summer Newsletter! We have certainly had an exciting few months.....

In West Bengal, since May we have disbursed 284 loans and completed social impact assessments for each borrower. We therefore know how much training and support each borrower requires. Our work in West Bengal is thanks to the **Apax Foundation's** generous support. We are constantly receiving positive and enthusiastic feedback from our local teams and the borrowers themselves.

We are delighted to report that we are just starting our work in Gujarat too. We are very grateful to the **ZVM Rangoonwala Foundation, the Artemis Charitable Foundation, Lindsay Whitelaw and Svetlana Borozna** for supporting this project.

Our work in West Nepal has been challenging but we have three interns out there this summer facilitating stronger management and financial controls. The recent generous donation from the **Allan and Nesta Ferguson Charitable Foundation** will enable us to scale up our work in Nepal.

Over the next financial year, we plan to raise £225,000 to expand and diversify our operations in both India and Nepal. With the fast-growing and fast-changing microfinance industry (especially in India), we have to be innovative and creative, whilst remaining committed to our mission of helping those below the poverty line.

We now have in place an incredibly strong and bright team in India led by **Vasant Subramanyan**. We believe that with this team and your support, we can achieve our goals to alleviate poverty in a sustainable way.

This summer, please give generously to Shivia so that we can start our financial year on 1st September with a bang! Please visit: www.justgiving.com/shivia And our Annual Report will be published in time for Diwali on 5th November, so do let us know if you would like a copy.

Thank you,

*Olly Donnelly,
Executive Director*



Feedback from our local partners:

"This is the first time in 18 years that we have received promised funds on time. We are all excited and enthused by our partnership with Shivia!"

*Professor Jayanta Ray,
President, SARS*

"We appreciate the commitment shown by Shivia to understand SAATH's project and accordingly provide funding. We are looking forward to a long-term partnership with significant social impact."

Rajendra Joshi,

Managing Trustee, SAATH

In this newsletter:

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The Projects...

West Bengal, India

Since early May, 284 loans have been disbursed in Hasnabad (Indo-Bangladeshi border) and each borrower has completed a "social impact assessment" so that their exact situations can be documented and we can focus on their livelihood development.

Habib Reza and Chandrani Banerjee (Shivia India) have been working closely with Milan Batabyal (Project Manager from SARS HQ), and the local SARS team in Hasnabad, managed by Sathi Nandi.

Habib and Milan travel to Hasnabad from Kolkata (3-4 hours drive) on a weekly basis to monitor all the data and train the local staff on management and financial systems.

Sathi and her team collect the repayments on a daily basis from the borrowers and ensure they provide ongoing training to them at the centres in their villages. The feedback is that they are all very enthused and more and more are coming forward for loans and training.

Olly Donnelly (Executive Director, Shivia) and Tim Neslen (Director, Shivia) visited Hasnabad in May. Olly was there again in June with Sandeep Naik (Co-Head, Apax Partners India Advisers Ltd) and with Brooke Johns (Secretary and CFO, Shivia) in July.

**Sandeep Naik (Apax Foundation) and
Olly Donnelly (Shivia)
Hasnabad, West Bengal, June 2010**



**Habib Reza (Shivia India), Milan
Batabyal (SARS), Tim Nelsen (Shivia
UK) and Sathi Nandi (SARS),
Hasnabad, West Bengal, May 2010**



Gujarat, India

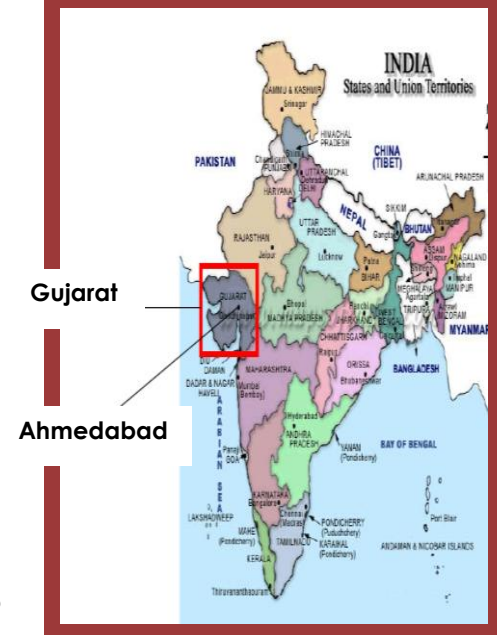
We are delighted to report that we are expanding our operations to Gujarat through the organisation, SAATH. We had planned to work with SAATH since the formation of Shivia and due to the support of **the ZVM Rangoonwala Foundation, the Artemis Charitable Foundation, Lindsay Whitelaw and Svetlana Borozna**, we plan to start our operations within the coming few weeks.

Over the first year, we will disburse approximately 870 loans. The project will focus on the slum dwellers of Ahmedabad, the capital of Gujarat. Most are migrants from other states and are both socially marginalised and economically deprived. They come to know about SAATH through their "Urban Resource Centres" whereby SAATH offers a range of services of which one is microfinance.

A major difference in this project is that the borrowers have to save for six months before they can take out a loan; this encourages a culture of long-term planning rather than the typical hand-to-mouth existence.

All the loans will be for productive rather than consumption purposes and the planned businesses include: rickshaw drivers, kite makers, paan vendors, fruit and vegetable vendors as well as store owners. Unlike in West Bengal where all the loans go to women, in Gujarat we plan for 20% of the loans to be made to men.

Project Location.....



Gujarat

Ahmedabad

Divyang Bhatnagar (CEO, SAATH Microfinance), Chinmayi Desai (Chairman, SAATH MFI) and Maduben Parmar (CEO, SAATH MFI) will manage the Shivia-SAATH project in co-ordination with Joe Rao from Shivia India.

**Maduben Parmar (SAATH) and
Olly Donnelly (Shivia)
Ahmedabad, Gujarat, July 2010**



**Divyang Bhatnagar (SAATH) and
Brooke Johns (Shivia)
Ahmedabad, Gujarat, July 2010**



West Nepal

We have now disbursed 780 loans in West Nepal through our partner BASE. Shanta Chaudhary has taken control of the Shivia-BASE project. She returned to BASE in June having completed her Diploma in rural development at the Asian Rural Institute in Japan.

There have been several challenges in Nepal due to the volatile political climate and a change in BASE management but we are back on track now that Shanta is in charge of the project. The team is planning to double our operations over the coming year, facilitated by a donation from the **Allan and Nesta Ferguson Charitable Foundation**.

Shivia currently has three interns out in Nepal, helping to implement stronger financial and management controls. Olly Donnelly will visit in October along with **Tony Bloom**, the donor behind this project to date.

New team members

Cécile Coke came on board in May to help Shivia with our fund-raising over the coming months. We plan to raise £225,000 over the next financial year (September 1st onwards) and Cécile will help us apply to a variety of companies, foundations and individuals to achieve this target.

In India, **Chandrani Banerjee, Habib Reza, Alope Saha and Joe Rao** have formed the Shivia India operational team. Chandrani, Habib and Alope are in charge of the work in West Bengal and Joe will coordinate the project in Gujarat.

Sathi Nandi (SARS) and Chandrani Banerjee (Shivia), June 2010



Upcoming Events: Diwali!

This year Diwali – the Hindu festival of lights - will start on Friday 5th November.

Clifford Chance will be holding their annual Diwali event on Thursday 4th November at which Shivia will be well represented.

Nirmalya Kumar (Professor of Marketing, London Business School) will kindly host a drinks party for Shivia and our major supporters on Friday 5th November, exhibiting a unique Indian art collection of paintings by Jamini Roy (father of Indian modern art) and Rabindranath Tagore (first Asian to win a Nobel prize).

If anyone has any bright ideas to help us celebrate Diwali or raise funds during this period, please do contact us at: info@shivia.com

Food for Thought: What does the SKS IPO mean for poor people?

SKS, the largest microfinance institution (MFI) in India, has nearly 7 million clients and it plans to become the largest MFI in the world - with 15 million clients - by 2012. SKS successfully went public on 28th July. It generated US\$350 million at 985 Rupees/share, over 6 times book value. SKS is only the second pure MFI in the world to go public (the first was Compartamos in April 2007 in Mexico) and apparently several others in India are lining up to do the same. Both IPOs generated much interest and the industry remains deeply divided about the implications of this development.

With their roots in an industry that began as a poverty-reduction tool, many MFIs originated as non-profit organizations to ensure financial inclusion for the poor. The recent changes we are witnessing are no doubt heralding a fundamental change in the microfinance industry's mission and vision.

With the SKS IPO being oversubscribed, a clear signal has been sent that lending to the previously thought of “unbankable” bottom of the pyramid population can actually be profitable. But the wider question remains: “*What does this actually mean for poor people?*”

Proponents of the IPO argue that to achieve scale, you have to raise finance from the capital markets. They argue too that any MFI that goes public will have to respond to its shareholders which may make it more accountable to its double bottom line. They see long-term benefits in reaching a critical mass of people so that ultimately interest rates can be lowered and credit – along with other financial tools – can become available to even more of the poor. And yes, it can be profitable!

However, commercialisation of microfinance will no doubt – and already is - encourage profiteering and dilute the original commitment towards the poor that attracted so many to the industry in the first place. The reality is that commercial MFIs are all about models of growth rather than training, economic and livelihood development. Lending standards could well be lowered to generate the profits promised to investors, and the high valuations will surely force MFIs to compromise on the double bottom line. One of the largest fears is that we will see the sub-prime crisis of the West all over again by the provision of cheap loans to the poor masses, with no responsibility to ensure that they can be paid back.

The key should surely lie in the representation of MFIs. Commercial MFIs should not market themselves as poverty alleviation vehicles but profit making institutions that focus on financial inclusion. That way there will be a space for all in the ever growing and still largely untapped market – those who want to invest to make money versus those who want to invest to make a social impact.

Microfinance enables your gift to be a gift that keeps on giving....

£125 = 1 loan

£1000 = 10 loans

£25,000 = 200 loans

£50,000 = 400 loans

Our model of ongoing training and long-term relationships with the communities we work with means that the loans actually make a difference and help people out of poverty.

Contact Details:

Address:

Shivia Microfinance
C/o EFG Private Bank
Leconfield House
Curzon Street
London
W1J 5JA

Email:

info@shivia.com

Website:

www.shivia.com

Shivia Microfinance empowers you to empower others

How to donate...

If you would like to help us or know of other people who might, please donate by either:

- 1) Making an **Online donation** at: www.justgiving.com/Shivia
You can either make a one-off donation or set up a standing order for monthly donations.
- 2) Sending a **cheque** to:

Shivia Microfinance
C/o EFG Private Bank
Leconfield House
Curzon Street
London
W1J 5JA

And filling out the Gift Aid form where appropriate which you will find on our website: www.shivia.com. Please send this along with the cheque to the above address.
- 3) Setting up a standing order or online transfer by contacting us at: info@Shivia.com

Thank you!

If you have any questions please feel free to contact us.



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